STATEMENT OF MS. ANN WEEKS
VICE PRESIDENT, GLOBAL GOVERNMENT AFFAIRS
UNDERWRITERS LABORATORIES (UL)
BEFORE THE INTERNATIONAL TRADE COMMISSION
ON THE MATTER OF THE ITC INCLUDING INFORMATION
ON THE CONTRIBUTION OF BOTH U.S. AND GLOBAL SERVICES
TO U.S. MANUFACTURING
IN ITS EIGTH REPORT
ON THE ECONOMIC EFFECTS OF U.S. IMPORT RESTRAINTS

WASHINGTON, DC
MARCH 19 ~~2[illegible]~~, 2013

Good morning Chairman Williamson and members of the Commission. Thank you for this opportunity to testify on the contribution of services to US manufacturing. My name is Ann Weeks. I represent UL (Underwriters Laboratories) and serve as an officer of the company and as Vice President for Global Government Affairs.

UL appreciates the opportunity to testify in conjunction with the United States Trade Representatives' (USTR) request for the US International Trade Commission (ITC) to examine the contribution of both U.S. and global services to U.S. manufacturing in its Eighth Report on The Economic Effects of Significant U.S. Import Restraints.

We believe USTR's request on this special topic for the Eighth Report is timely and will help inform trade policy, both with respect to ongoing efforts to align related regulatory requirements and with respect to the services negotiations that USTR will soon undertake. We are pleased to have the ITC further explore the link between services and manufacturers.

I. About UL

I would first like to provide you with some background on UL and our role with manufacturers.

UL is a 118-year old global engineering services company driven by our public safety mission – promoting safe living and working environments for people everywhere. We conduct safety-science research; develop standards; offer a diverse set of auditing, testing, inspection, and certification services; and provide consumer education and technical training programs.

Our more than 10,000 employees are spread across more than 45 countries and serve more than 65,000 companies in more than 100 countries. We evaluate nearly 20,000 types of materials, components, products, and systems each year.

Our work helps to provide confidence to regulators, retailers, and consumers that products and production processes and practices meet their requirements. At the same time, we are a trade enabler and multiplier.

UL helps manufacturers navigate the complex network of compliance requirements for markets around the world.

UL's CEO often describes our business as the "oil" that helps the manufacturing "engine" of economic growth hum along efficiently and effectively. In 2011, an estimated 22.4 billion products carried the UL Mark in 104 countries.

Three
II. ~~Four~~ Hypotheses

In the testimony that follows, I will address three hypotheses that speak to the value of, challenges to, and considerations for the testing, inspection and certification services industry (commonly referred to as TIC services):

1. TIC services contribute to economic welfare/growth and can be an export multiplier for manufacturers.
2. A holistic approach to TIC services liberalization can drive higher levels of "inshoring" that the ITC's Seventh Report special section on global supply chains acknowledges.
3. Analyzing TIC services' contributions will require clarifications on the definitions and classifications of such services. The same holds true for liberalization through trade negotiations.

III. Economic Welfare Creator and Export Multiplier

Economic Welfare Creator

A strong industry growth trajectory means that TIC services will remain a strong contributor to economic growth and a services sector that provides skilled and higher paying jobs. In 2010, the global TIC market was estimated to between $110 billion and $134 billion. Over the last 15 years, the industry grew overall at a CAGR of 5% to 6% per year. The market is forecasted to continue this growth at a CAGR of approximately 5.2% until 2015. This places the overall size of the market in 2013 between $128 billion and $156 billion. This growth is being spurred by a combination of regulatory and economic factors, infrastructure investment, product diversity and sophistication, and safety and quality concerns. A 2012 *Mergers Alliance* publication noted "globalization and the widespread implementation of tougher rules and regulations in product safety and efficiency are driving its development. These factors combined with the greater use of outsourcing means the industry is growing faster than most other service sectors."

Export Multiplier

Wherever possible, manufacturers seek to design one product for multiple markets with one standard, one test and one Mark accepted everywhere. In its Submission For the Record to the House Committee on Ways and Means for a hearing on "The benefits of Expanding US Services Through an International Services Agreement", on September 30, 2012, the National Association of Manufacturers (NAM) clearly articulated the high degree to which manufacturers rely on a wide range of services to:

- lower costs of manufacturing and improve productivity and competitiveness;
- promote product quality and safety and foster greater consumer confidence;
- comply with regulatory standards and requirements, facilitating their market access into international markets;
- harmonize international standards; and
- increase sales and access into foreign markets.

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With roughly 80 percent of world commodity trade (valued at $18.2 trillion in 2011 by the World Trade Organization) affected by standards and related technical regulations for conformity assessment, compliance challenges for manufacturers can be staggering. Market access for TIC services can help minimize this burden through streamlined testing programs that can also help to reduce the overall costs of compliance for manufacturers.

IV. A Holistic Approach to Eliminating TIC Services Impediments

UL seeks the ability to conduct the full range of product testing, inspection, conformity assessment, auditing, and training services in overseas markets, which would support manufacturers' ability to enter these markets and in many cases sell the products that they manufacture for the US consumer as well. Being able to base service delivery routes on a business case basis is critical to timely and cost effective service support for UL's clients.

Greater market access for service providers is helpful to both large multinationals like UL and small and medium sized niche providers because of the ability to "inshore" based on business case versus complying with artificial in-country presence requirements that can create redundant lab capacity. The TIC services industry highly fragmented. While the top 10 leading companies each generate more than $1.34 billion annually, more than 50% of the market is comprised of mid-sized and small companies.

UL believes the information USTR has requested from ITC on the contribution of both U.S. and global services to U.S. manufacturing will help strengthen its case for a comprehensive agreement in the upcoming International Services Agreement (ISA) negotiations with a group of 20 like-minded trading partners.

Through these negotiations, UL is hopeful that a high priority will be placed on achieving an agreement that enables US service suppliers to compete on the basis of quality and competence rather than nationality; is comprehensive in nature, permitting the coverage of all services; and contains the flexibility needed to address new issues arising in the global marketplace and changes in the way services are traded.

In order to negotiate a holistic agreement that will lead to true market access, USTR is making efforts to negotiate the ISA in such a way to also address new and emerging trade distorting measures on U.S. and global services.

UL supports this line of thinking and suggests that the ITC focus part of its report on issues such as competitive neutrality complications arising from the operation of State-Owned Enterprises (SOEs), government supports provided only to domestic service providers, and uneven accreditation practices that may make services deployment difficult in certain markets despite commitments on market access and national treatment.

Having a better understanding and metrics that can clearly tell a story as to how services deployment to manufactures is affected by these non-traditional factors would fill an important information gap. The need to address these concerns becomes especially important should the ISA become a model agreement and multilateralized over time, including negotiating partners from countries where these barriers to services deployment are relatively common.

V. Better Definitions and Classifications for TIC Services

Understanding the true contributions of TIC services to manufacturing, trade, and economic welfare require better definitions and classifications. UL is just beginning to appreciate the inconsistencies and gaps in the classification of TIC services for trade-accounting purposes, and more research is needed to appreciate fully the implications.

Such ambiguity in definitions and classifications will have a real impact on related trade in services negotiations. Similar to classifications for trade-accounting purposes, the current services classifications used in trade negotiations fail to capture adequately the breadth and depth of the TIC services industry and can create loopholes in the implementation and enforcement of related liberalization commitments.

VI. Conclusion

As the ITC noted in its Seventh Report on The Economic Effects of Significant U.S. Import Restraints, services are integral to the smooth operation of global supply chains. UL agrees and would like to see an increase in the deployment of intermediate services across these supply chains.

In helping to deploy such services, US trade negotiators will need to take a holistic approach to related impediments and improve the definitions and classifications on which negotiated commitments are based. With TIC services liberalized, UL is confident that both large and small service providers alike can enhance the value we provide to manufacturers and our contribution to overall economic welfare.

UL would again like to thank the US International Trade Commission for the opportunity to present our views on the contribution of both U.S. and global services to U.S. manufacturing, and would be pleased to speak with the US Government further about this topic. UL is confident further trade liberalization for TIC services industry would yield significant benefits for manufacturers, trade and economic welfare.

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